

SENATE BILL 1434

By Harper

AN ACT to amend Tennessee Code Annotated, Title 47,
Chapter 4, Part 4, relative to processing of certain
drafts against deposit accounts.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 47-4-401, is amended by adding the
following language as a new subsection:

(e)

(1) The payor bank shall charge each item that is properly payable
against the account of a customer in the sequential order, based on the check,
draft or order number, presented to the bank for payment on the day the items
are charged against the customer's account.

(2) If items are processed in a non-sequential manner and such
processing results in an overdraft occurring for more items than would have
occurred had the items been processed sequentially, then no handling charge
otherwise authorized pursuant to § 47-29-102 shall be assessed by the payor
bank for any items, which if processed sequentially, an overdraft charge would
not have occurred. Any handling charge improperly assessed shall be
immediately deposited in the customer's deposit account on the day the
improperly assessed charge is brought to the attention of the payor bank.

(3) A fine of two thousand five hundred dollars (\$2,500) per infraction
shall be assessed by the commissioner of financial institutions against any payor
bank who fails to comply with this subdivision (e)(3). Prior to imposing such a
fine, the commissioner shall conduct a hearing in accordance with the uniform

administrative procedures act, title 4, chapter 5, giving the payor bank the opportunity to be heard.

SECTION 2. This act shall take effect July 1, 2011, the public welfare requiring it.